# Low spending hits Shoprite credit

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*The lending arm of Africa's largest retailer sees a decline in credit sales for the first time since listing.*


Pinch: Credit sales at Shoprite Investments dropped for the first time since listing as consumers cut spending.

Picture: BDlive/Freddy Mavunda

Shoprite Investments, lending arm of Africa's largest retailer, experienced a decline in credit sales for the first time since listing as consumers cut spending in response to the weak economy, its financial statements showed on Thursday.

The company, which provides third-party credit to the retailer's furniture customers, and which listed its debt in 2012, saw instalment sales retreat 6.5% to R1.05bn in the year to June. This compares with 34.5% growth, to R1.12bn, in 2015.

Shoprite did not explain the decline in its financial statements, and was unavailable for comment at the time of publication. Ron Klipin, senior analyst at Cratos Wealth, said the decline could only come from the OK Furniture division.

"[It's the] only division of Shoprite that I believe sells durables, such as furniture and white goods," Klipin said.

"With consumer spend under pressure, with escalating food prices in double-digit figures, finance payments are more and more in arrears."

Departing Shoprite CEO Whitey Basson said earlier in 2016 consumers were coming under pressure from the high cost of living, made worse by the drought affecting the cost of basic agricultural products. "As a result, the disposable income of especially lower-income consumers has come under increasing pressure," he said.

Shoprite Investments added R37.7m in bad debt in 2016, which was lower than the previous year’s R127.3m. Added to its accumulated bad debt expenses, R52.8m of which was written off as irrecoverable, the company’s total impairments were R134.5m.

Statistics SA data on retail trade sales, released in November, showed furniture, appliance and equipment sales dropped 5.8% to R8.9bn between September 2015 and September 2016, while specialist food retailers picked up 6.7% to R12.6bn. Professional services firm PwC said consumers could not incur more debt, spelling trouble for credit retailers.

"These difficulties are forcing shoppers to adjust their consumption patterns by favouring lower-priced products and foregoing discretionary purchases," it said. "The higher-income strata are, however, more resilient to the current economic pressures, putting retailers that cater to their needs in a better position."

At Shoprite, there had been a decline in credit customers in the furniture business as the National Credit Regulator’s (NCR) affordability assessments kicked in. This had a negative effect on the group’s finance and insurance income.

The NCR said in November it had submitted amendments to the affordability assessment regulations to address "unintended" consequences inflicted on the retail sector, while protecting consumers. This was after a lawsuit by retail groups TFG, MrPrice and Truworths, which said they had incurred millions in lost sales due to consumers employed in the informal sector being unable to validate income as prescribed.

**Source:** Business Day